

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

UNSTARRED QUESTION NO:3748
ANSWERED ON:30.07.2009
OVERPRICING OF DRUGS BY MNCS
Naik Shri Shripad Yesso

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

- (a) whether the Government has provided attractive tax concessions to the multinational drug companies;
- (b) if so, whether a number of drug companies despite enjoying tax benefit were found charging exorbitant prices for their drugs and formulations;
- (c) if so, the details thereof alongwith the reasons therefor;
- (d) whether the Government is contemplating to withdraw the tax concessions extended to these multinational companies in addition to recovery of penalty imposed on them; and
- (e) if so, the steps taken/ being taken by the Government in this regard?

Answer

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

(a) to (e): Some full/partial exemptions/ concessions from custom and central excise duties on specified drugs and medicines are presently in force. Besides this, the Government has exempted the payment of central excise duty on goods including medicines/ drugs manufactured in certain areas for economic upliftment of the area. These exemptions/concessions are provided to the manufacturers/ importers of pharmaceutical/ medicaments irrespective of their being multinational or domestic.

Under the provisions of the Drugs (Prices Control) Order, 1995 (DPCO 1995), the prices of 74 bulk drugs included in its First Schedule and the formulations containing any of these drugs are controlled. NPPA / Government fixes or revises prices of the Scheduled drugs / formulations as per the provisions of the DPCO,1995. No one can sell any Scheduled drug / formulation at a price higher than the price fixed by NPPA / Government.

In respect of drugs not covered under the DPCO, 1995 i.e. non-Scheduled drugs, the manufacturers are at liberty to fix the prices by themselves without seeking the approval of Government / NPPA. Such prices are normally fixed depending on the 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. Wherever a price increase beyond 10% per annum (20% before 01.04.2007) 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.