GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:396
ANSWERED ON:09.08.2012
PROFIT MARGIN ON DRUGS
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Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether a recent: study commissioned by the Ministry of Corporate Affairs has revealed exorbitant profit margins on 21 common drugs manufactured by Indian companies witn mark-ups from 200 to 500 percent.

(b) if so, the details thereof;

(c) whether pricing regulations of the National Pharmaceutical Pricing Authority mandate that companies can keep a maximum of 100 percent over the cost of production of a drug;

(d) if so, the details thereof; and

(e) the status of the proposed pharmaceutical pricing policy which seeks to put ceiling on drug prices at the average of costs of top selling three brands?

Answer

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

(a)&(b): Ministry of Corporate Affairs has informed that they had undertaken a suo moto study on formulations (medicines) manufactured and marketed by some of the leading pharmaceutical companies in India. The study revealed that in the 21 high MAT value brands (MAT value ranging from Rs. 33.84 crores to Rs. 99.29 crores) there is very high company`s profit margin, very high Mark up (MAPE) on cost of production, heavy loading of selling and distribution expenses and very high Mark-up towards trade margins.

(c)&(d): In the case of scheduled drugs, the prices of 74 bulk drugs(which are scheduled) and the formulations containing any of these scheduled drugs are controlled under the provisions of the Drugs(Price & Control) Order, 1995. NPPA/Govt. fixes or revises prices of scheduled drugs/formulations as per the provisions of the DPCO, 1995. No one can sell any scheduled drug/formulation at a prie higher than the price fixed by NPPA/Govt.

As per para 7 of DPCO, 1995 `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 and it shall not exceed 100% for indigenously manufactured Scheduled formulations;

Provided that in the case of an imported formulation, the landed cost shall form the basis for fixing its price alongwith such margin to cover selling and distribution expenses including interest and importer`s profit which shall not exceed 50% of the landed cost.

(e): The Department of Pharmaceuticals had prepared a draft National Pharmaceutical Pricing Policy, 2011 (NPPP-2011) based on the criteria of essentiality and requirements as stipulated by the Ministry of Health & Family Welfare. The draft National Pharmaceutical Pricing Policy, 2011 (NPPP-2011) was circulated among the concerned Ministries/ Stakeholders. The draft Policy was also available for comments of any other interested person on the Department`s website www.pharmaceuticals.qov.in till 30.11.2011. The views/inputs received on the draft NPPP-2011 were examined and the matter was placed before the Group of Ministers which met on 25.04.2012. Subsequent to this two meetings have been held by the Group of Ministers.