

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

UNSTARRED QUESTION NO:4004

ANSWERED ON:21.03.2013

SALE OF DRUGS AT HIGHER PRICES

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

- (a) the details of drugs/medicines covered under price control mechanism under the Drugs Prices Control Order),1995;
- (b) whether the Government has fixed any limit to earn maximum profit by the sale of medicines by the drug manufacturing companies;
- (c) if so, the details thereof;
- (d) whether many drugs are sold at much higher prices than the prices decided by the National Pharmaceutical Pricing Authority (NPPA);
- (e) if so, whether the indigenous as well as the foreign drug manufacturers are earning the huge profit by selling their drugs at the high prices on their own accord;
- (f) if so, the details of such drugs, their selling prices in the market and the actual prices decided by the NPPA product-wise and company-wise; and
- (g) the steps being taken by the Government to bring a check on this profiteering by these companies and to control the prices of drugs?

Answer

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

(a) Under the provisions of the Drugs (Prices Control) Order, 1995, the prices of 74 scheduled bulk drugs listed in its First Schedule and the formulations containing any of these scheduled drugs are controlled.

(b) & (c) The prices of formulations are fixed as per the formula given in paragraph 7 of DPCO, 1995 and a 'MAPE' (Maximum Allowable Post-manufacturing Expenses) not exceeding 100% of the ex-factory cost is allowed in the price of indigenously manufactured scheduled formulations to take care of the post-manufacturing expenses including profit margins of the manufacturers. In case of an imported formulation, a margin not exceeding 50% of the landed cost is allowed to cover selling and distribution expenses including interest and importers profit.

(d) to (g) No one is authorized to sell any scheduled drugs / formulation at a price higher than the price fixed by the NPPA /Government. In case, a company is found selling the scheduled drugs / formulations at a price higher than the prices fixed by NPPA/Govt., appropriate action is initiated against them by NPPA under para 13 of the DPCO'1995 read with Essential Commodities Act, 1955 for recovery of the overcharged amount.NPPA initiates action for overcharging based on the report from State Drug Controller (SDCs), complaints from individuals, verification of price list submitted by companies and suo-moto purchase of samples of scheduled packs. After examination, the demand notices consisting of overcharged amount along-with interest are issued to the Pharma companies in confirmed overcharging cases.

Based on detection of overcharging cases since its inception and till 31.01.2013, NPPA has issued demand notices in 919 cases involving an amount of Rs.2596.69 crores (overcharging along with interest) for selling the medicines at a price higher than the prices fixed under DPCO,1995. Out of which, Rs. 234.31 cr. has been realized till 31.01.2013 leaving a balance of Rs. 2362.38 cr. to be realized. Hard copy of the list of 919 overcharging cases will be very voluminous running into several pages and hence the same (updated upto 31.01.2013), is available on the website of NPPA i.e. www.nppaindia.nic.in.

In order to ensure compliance of the notified ceiling price, NPPA calls for the control samples of the subsequent batches and the price list of the companies in respect of the formulations wherein the companies are found to have overcharged. To ensure that companies adhere to the prices fixed by NPPA, the State Drug Controllers are sensitized and asked to forward the cases relating to non-compliance of the notified price. As a part of continuous market surveillance, NPPA also procures samples of various scheduled formulations to check the compliance of the notified ceiling price by the companies.

In respect of drugs not covered under the DPCO, 1995 i.e. non-scheduled drugs, manufactures fix the prices themselves without seeking the approval of the Government / NPPA. NPPA has no control on the launch price of the non-scheduled formulations.

However, NPPA regularly examines the movement in prices of non-scheduled formulations. Wherever a price increase beyond 10% in a period of 12 months on moving basis 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

Further the National Pharmaceutical Pricing Policy-2012 (NPPP-2012) has been notified on 07.12.2012. As per the provisions of the NPPP-2012, all the manufacturers/importers manufacturing/importing the medicines as specified under National List of Essential Medicines, 2011 (NLEM 2011) shall be under the purview of price control. Such medicines shall have a maximum retail price equal to or lower than the ceiling price (plus local taxes as applicable) as notified by the Government for the respective medicines.