GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:1325
ANSWERED ON:13.08.2013
PROFIT MARGIN IN DRUGS
Gandhi Shri Dilip Kumar Mansukhlal

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

(a) whether the Government is aware that there is very high profit margin, mark up of Maximum Allowed Post Manufacturing Expenses (MAPE) on cost of production, trade margin etc. in respect of certain formulations marketed by some leading pharmaceutical companies in the country;

(b) if so, the details thereof and the reasons therefor along with the reaction of the Government thereto;

(c) whether the Government proposes to cut/reduce the profit margin on the drugs; and

(d) if so, the details thereof and the steps taken/proposed to be taken by the Government to regulate/control profit margin in drugs?

Answer

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

(a) To (d) : Before coming into force of Drugs (Price Control) Order, 2013 (DPCO, 2013 w.e.f. 15.5.2013 the National Pharmaceutical Pricing Authority (NPPA) used to fix/revise prices of the scheduled formulation by considering the formula given in the para 7 of DPCO 1995. Accordingly, MAPE (Maximum Allowable Post-Manufacturing Expenses) was allowed not exceeding 100% to the manufacturer from the stage of ex-factory cost to the retailing and included trade margin and allowable margin for manufacturers for indigenously produced scheduled formulations in case of domestic manufacturers. In case of prices of the imported finished scheduled formulations the margin not exceeding 50% of the landed cost was allowed to cover the selling and distribution expenses including interest and importer's profit.

The prices of non-scheduled / price de-controlled formulations were fixed by the manufacturers themselves without seeking the approval of NPPA/Government. Wherever a price increase beyond 10% per annum was noticed, the manufacturer was asked to bring down the price voluntarily failing which, subject to prescribed conditions, action was initiated under paragraph 10(b) of the DPCO, 1995 for fixing the price of the formulation in public interest.

Under, DPCO 2013 the prices of 348 drugs covering 652 formulations have been brought under price control. The prices of formulations have to be fixed as per formula given in para 4, 5 and 6 of DPCO, 2013. As per the provisions of DPCO, 2013 prices are now being fixed based on the average price to the Retailer (PTR) of the medicine having market share more than or equal to one percent of the total market turnover adding 16% margin to retailer thereto.