

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

UNSTARRED QUESTION NO:1839  
ANSWERED ON:22.07.2014  
PROFIT MARGIN ON DRUGS  
Thota Shri Narasimham

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

- (a) whether a recent study on drugpricing has indicated to a very high profitmargin earned by companies producing some common drugs;
- (b) if so, the details thereof and thereaction of the Government thereto;
- (c) the mechanism put in place to regulate the prices of drugs in the country; and
- (d) the remedial measures taken by the Government to control/regulate the profitmargins on common drugs manufactured by drug companies in the country along with the action taken/proposed to be taken by the Government in this regard?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS & FERTILIZERS (SHRI NIHAL CHAND)

(a) & (b): Recently no study on profit margin has been conducted by National Pharmaceutical Pricing Authority (NPPA). However, a study conducted by the Ministry of Corporate Affairs was forwarded to this Ministry by Union Minister of Corporate Affairs in June, 2012 for consideration and ameliorative action. The study, inter alia, indicated that there was very high profit margin, trade margin etc. in respect of certain formulations marketed by some leading pharmaceutical companies in India. On examination of the study report NPPA had found that there was only one medicine containing scheduled drug under Drugs (Prices control) Order, 1995 (DPCO, 1995) i.e. Ciprofloxacin and others were non-scheduled drugs on which NPPA had no power to control the launch price under DPCO, 1995. In respect of Ciprofloxacin NPPA had initiated action for overcharging against the formulators.

(c) & (d): Presently the prices of medicines are controlled/regulated as per the provisions of Drugs (Prices Control) Order, 2013 (DPCO, 2013). All the medicines specified in the National List of Essential Medicines 2011 (NLEM) have been included in the Schedule I of DPCO, 2013 and brought under price control. NPPA, an independent body of experts under the Department of Pharmaceuticals has been delegated the powers under DPCO, 2013 to fix the ceiling price or retail price of any drug. As on 30th June, 2014, NPPA has fixed the ceiling prices for 440 formulations under DPCO, 2013 and a significant reduction has been effected in prices of medicines notified under DPCO, 2013.