

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

UNSTARRED QUESTION NO:2509
ANSWERED ON:04.08.2015
Profit Margin on Medicines
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Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) whether it is a fact that some pharma manufacturing companies are earning huge profit on medicines and medical equipments produced by them as there seems huge price difference between production cost and selling price of different brands of the scheduled formulations;
- (b) if so, the reaction of the Government thereto;
- (c) the details of the actual production cost and the Maximum Retail Price (MRP) that is printed on medicines; and
- (d) the remedial steps taken / proposed to be taken by Government for restricting profit on medicines?

Answer

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS & FERTILIZERS (SHRI HANSRAJ GANGARAM AHIR)

(a) to (d) :Under DPCO, 2013, methodology for price fixation of drugs has been changed from 'Cost based pricing' to 'Market based pricing'. The actual production cost of medicines and medical equipments is not compiled and examined under DPCO, 2013. Therefore the details regarding difference between production cost and selling price of different brands of the medicines are not available with NPPA. Also, there is no provision in the DPCO, 2013 to regulate the interbrand price difference of the same medicine and also to check the profit margin on account of wide variation in the production cost and maximum retail price (MRP) printed by the manufacturing companies.

However, DPCO, 2013 provides that all the existing manufacturers of scheduled formulations, selling the branded or generic or both the versions of scheduled formulations at a price higher than the ceiling price (plus local taxes as applicable) so fixed and notified by the Government, shall revise the prices of all such formulations downward not exceeding the ceiling price (plus local taxes as applicable). Further, all the existing manufacturers of scheduled formulations, selling the branded or generic or both the versions of scheduled formulations at a price lower than the ceiling price (plus local taxes as applicable) so fixed and notified by the Government shall maintain their existing maximum retail price.
