

Diversification of Production by Foreign Pharmaceutical Companies -

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*753. SHRI N. K. SANGHI:

SHRI H. N. MUKHERJEE:

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

(a) whether all the foreign pharmaceutical firms were licensed in India under the priority sector for the manufacture of life saving drugs;

(b) whether some of these companies have now diversified their production and are now producing non-essential goods, and

(c) whether the profit margin of these companies has gone up through the production of non essential items and so also their quantum of foreign remittances?

THE MINISTER OF PETROLEUM AND CHEMICALS (SHRI D. K. BOROOAH) (a) to (c) A statement is laid on the Table of the House.

Statement

(a) to (c) Under the revised industrial licensing policy announced in February 1970, industries were not classified as priority or non-priority for purposes of industrial licensing. They have been classified as (i) Core industries and (ii) Key industries for purposes of industrial licensing. Besides these two categories, some industries which were not included in the Core industries or in the Key Industries were categorised as priority industries. The priority industries include those to which priority would be given for the purpose of allocation of foreign exchange for import of capital goods. According to the above policy, essential Drugs and Pharmaceuticals (including intermediates and contraceptives) are included in the list of Key industries.

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Under the revised Industrial Licensing Policy which came into force on the 16th February, 1973, all undertakings owned by foreign companies, their branches or subsidiaries or by companies in respect of which more than 50 per cent of the paid up equity share capital is held directly or indirectly by foreign companies, their branches or subsidiaries, or by foreign nationals or non resident Indians, are required to be in possession of Industrial licences within six months from the date of issue of the notification.

Foreign firms are not eligible for diversification under the diversification policy announced by the Ministry of Industrial Development in their notification dated the 17th July, 1970. Many firms manufacturing drugs are also engaged in the manufacture of non drug items which valid industrial licences having diversified earlier.

At present the prices of drugs and medicines are controlled under the Drugs (Price and Control) Order 1970 while there is no price control on non-drug items. It is likely that the profits of the company have shown increase mainly on account of non-drug activity. But as far as drugs and pharmaceuticals are concerned, the preliminary assessment of the working in respect of 34 foreign firms reveals the following:

	1969	1971
Profitability on sales turnover of formulations	18.80%	11.10%
Profitability on capital employed	19.09%	16.48%

The information regarding foreign remittances in the years 1969, 1970 and 1971 by foreign firms engaged in manufacture of drugs has been furnished in reply to Unstarred Question

No. 1191 answered in the Lok Sabha on 27th February 1973.

SHRI N. K. SANGHI: May I know from the hon. Minister whether the foreign pharmaceutical firms which are not eligible for diversification as per the notification of 17th July, 1970, if those pharmaceutical firms have started their diversification earlier have now been regularised? If not, what action had been taken to stop the diversification earlier?

SHRI D. K. BOROOAH: A decision was taken that no diversification would be permitted. We have not allowed any diversification earlier. Action was taken to take advantage of the liberalisation policy for production of non-drug items. According to the revised policy the undertakings belonging to or controlled by the larger houses, foreign companies or subsidiaries cannot diversify without the proper and valid industrial licence. There were formerly some firms as we all know. So, we have controlled it and we would also like to go into the question whether we could try to reduce the diversification which has already taken place.

SHRI N. K. SANGHI: My question was, under this notification, you have stopped diversification from 17th July 1970. What about those pharmaceutical firms who had diversified their production earlier? Have they been regularised or action will be taken against them?

SHRI D. K. BOROOAH: They have been asked to take a proper valid industrial licence for that.

SHRI N. K. SANGHI: They are manufacturing talcum powder, chewing gums, energy tablets etc. Has any action been taken against them or not?

SHRI D. K. BOROOAH: This question will be looked into. I understand they have been asked to take a valid licence for it.

SHRI K. S. CHAVDA: In order to reduce the huge profits made by the foreign firms on non-drug items, do Government intend to control the price of these non-drug items?

SHRI D. K. BOROOAH: I will certainly consider this suggestion.

Companies in which Monopoly Houses have controlling interest

*755. **SHRI B. V. NAIK:** Will the Minister of LAW, JUSTICE AND COMPANY AFFAIRS be pleased to state—

(a) the total number of Companies in which the monopoly houses have a controlling interest; and

(b) the total value of the assets of these Companies as shown in their balance sheet?

THE MINISTER OF STATE IN THE MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI D K CHAVAN). (a) and (b). A statement is laid on the Table of the House

Statement

The term "monopoly house" has not been defined in the Monopolies and Restrictive Trade Practices Act or in any other legislation. Presumably, what the Hon'ble Member has in mind are the undertakings which are covered by Chapter III of the M.R.T.P Act relating to the concentration of economic power. It may be indicated that the new industrial licensing policy announced on February 2, 1973 also states that "the definition of larger industrial houses to be adopted for licensing restrictions should be in conformity, in all respects, with that adopted in the M.R.T.P. Act in 1969" Section 20 of the M.R.T.P. Act lays down the undertakings which are covered by the provisions of Chapter